

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

FTX TRADING LTD., *et al.*,¹

Debtors.

Chapter 11

Case No. 22-11068 (JTD)

(Jointly Administered)

**DECLARATION OF THOMAS M. SHEA IN CONNECTION WITH
DEBTORS' MOTION FOR ENTRY OF AN ORDER ESTABLISHING A SCHEDULE
AND PROCEDURES FOR ESTIMATING CLAIMS FILED BY THE UNITED STATES
DEPARTMENT OF TREASURY – INTERNAL REVENUE SERVICE**

I, Thomas M. Shea, hereby declare under penalty of perjury:

1. I am a Principal of Ernst & Young U.S. LLP ("EY US LLP"). I am assigned to the Tax Service Line of the Financial Services Organization Region at Ernst & Young LLP ("EY LLP"). EY LLP was retained through order of this Court [D.I. 505] to provide professional tax services to FTX Trading Ltd. and its affiliated debtors and debtors-in-possession (collectively, the "Debtors") in the above-captioned cases (the "Chapter 11 Cases").

2. I have been an EY US LLP Principal for over four years. I have over 17 years of experience in the field of taxation, specializing in financial services and, over the last five years, cryptocurrencies and other digital assets. I currently lead the digital asset taxation group at EY LLP and also lead the EY LLP team advising the Debtors.

3. I submit this declaration (the "Declaration") in connection with the *Motion of Debtors for Entry of an Order Establishing a Schedule and Procedures for Estimating Claims*

¹ The last four digits of FTX Trading Ltd.'s and Alameda Research LLC's tax identification numbers are 3288 and 4063, respectively. Due to the large number of debtor entities in these Chapter 11 Cases, a complete list of the Debtors and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at <https://cases.ra.kroll.com/FTX>. The principal place of business of Debtor Emergent Fidelity Technologies Ltd is Unit 3B, Bryson's Commercial Complex, Friars Hill Road, St. John's, Antigua and Barbuda.

filed by the United States Department of Treasury – Internal Revenue Service [D.I. 4204]. I am not being compensated separately for this testimony other than through payments received by EY LLP as tax services provider pursuant to the EY retention order.

4. Except as otherwise indicated herein, all of the facts set forth in this Declaration are based upon my personal knowledge, my review of relevant documents, information provided to me by EY LLP professionals involved in advising the Debtors in the Chapter 11 Cases or information provided to me by the Debtors. If called upon to testify, I could and would testify to the facts set forth herein on that basis.

5. Between the beginning of August 2023 and the end of October 2023, EY LLP assisted the Debtors with filing the following tax returns for ten U.S. corporations and three U.S. partnerships in connection with the 2022 tax year (the “2022 Debtor Returns”), as follows:

Tax Year End	Entity Name	Tax Return Type	EY LLP Prepared Return	Filing Date
10/31/2022	Alameda Research Holdings Inc.	Form 1120	Yes	8/15/2023
10/31/2022	Alameda Research LLC	Form 1120	Yes	8/15/2023
10/31/2022	Blockfolio Inc.	Form 1120	Yes	8/15/2023
10/31/2022	North Dimension Inc.	Form 1120	Yes	8/15/2023
10/31/2022	North Wireless Dimension Inc.	Form 1120	Yes	8/15/2023
10/31/2022	Paper Bird Inc.	Form 1120	Yes	8/15/2023
10/31/2022	West Realm Shires Inc.	Form 1120	Yes	8/15/2023
10/31/2022	Clifton Bay Investments LLC	Form 1065	Yes	9/12/2023
10/31/2022	LedgerPrime Digital Asset Opportunities Fund, LP	Form 1065	Yes	9/12/2023
10/31/2022	LedgerPrime Digital Asset Opportunities Master Fund, LP	Form 1065	Yes	9/12/2023
12/31/2022	Blockfolio Holdings Inc.	Form 1120	Yes	10/16/2023
12/31/2022	Crypto Bahamas LLC	Form 1120	Yes	10/16/2023
12/31/2022	Deck Technologies Inc.	Form 1120	Yes	10/16/2023

6. Beginning on March 17, 2023, the IRS served a total of 2,377 requests for information about the Debtors' historical tax reporting through EY LLP, as shown below. With the exception of 2022 employment tax filings for all below entities, EY LLP did not prepare the returns under audit, but EY LLP is advising the Debtors on their responses to the IRS's requests.

	Entity Under Audit	Taxable Year(s) Under Audit		Requests Received
		Corporate Income Tax ²	Employment Tax	
1	Alameda Research Holdings Inc.	2021	2020-2022	90
2	Alameda Research LLC	2020-2021	2017-2022	435
3	Alameda Research Ltd.	N/A	2020-2022	2
4	Blockfolio Inc.	2020-2021	2020-2022	188
5	Clifton Bay Investments LLC	2020-2021	2020-2022	179
6	Deck Technologies Inc.	N/A	2020-2022	7
7	Digital Custody Inc.	2020-2021	2020-2022	179
8	FTX Lend Inc. (f/k/a West Realm Shires Finance Inc.)	2020	2020-2022	90
9	FTX Trading Ltd.	N/A	2020-2022	3
10	Good Luck Games LLC	N/A	2020-2022	8
11	Ledger Holdings Inc.	2020	2020-2022	98
12	Ledger Prime LLC	N/A	2020-2022	8
13	North Dimension Inc.	2020-2021	2020-2022	179
14	North Wireless Dimension Inc.	2020-2021	2020-2022	178
15	Paper Bird Inc.	2020-2021	2020-2022	357
16	West Realm Shires Inc.	2020-2021	2020-2022	186
17	West Realm Shires Services Inc.	2020	2020-2022	100
18	West Realm Shires Financial Services Inc.	2020	2020-2022	90
		Total		2,377

7. The Debtors and EY LLP personnel have met and conferred with IRS personnel generally on a weekly basis with the income tax audit team and generally on a monthly basis with the employment tax audit team (together, the “IRS Audit Teams”).

² All corporate income tax years noted here are calendar year-end taxable years.

8. Through EY LLP, the Debtors responded to all requests for information from the IRS Audit Teams, and, in cases where certain information was unavailable, the Debtors provided written explanations for their inability to provide the information. Recently, the IRS Audit Teams provided us with 184 information requests, and we will provide the requested information by the stipulated deadlines of December 15, 2023 and January 15, 2024 (the latter for one single request).

9. The income tax returns filed by the Debtors reflect an aggregate of approximately \$11 billion in taxable losses over the course of 2020, 2021 and 2022 (collectively, the “Debtor Income Tax Returns”). None of the Debtor Income Tax Returns reflect any incremental tax due; only one reflects net taxable income. The most the Debtors have ever purported to earn from operating the FTX exchange was \$334 million, producing approximately \$34.7 million in tax liability.³

10. Although the Debtor Income Tax Returns may require further adjustments, based on information currently known to EY LLP, EY LLP does not anticipate that those adjustments will yield any incremental tax liabilities, based upon work performed as of December 8, 2023.

³ This figure breaks down as follows: \$15 million in 2020 (producing \$1.5 million in tax liability), \$318 million in 2021 (producing \$33 million in tax liability), and \$1 million in 2022 (producing \$0.2 million in tax liability).

11. The Debtors have been asked to apply the same Information Document Requests for the prior period income tax returns to the 2022 Debtor Returns. We are compiling that information and expect to provide it to the IRS Audit Teams by December 15, 2023.

Dated: December 10, 2023

/s/ Thomas M. Shea

Thomas M. Shea
Ernst & Young LLP